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Permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources

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Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and the Arab population in the occupied Syrian Golan

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Note by the Secretary-General

In its resolution 2011/41, the Economic and Social Council requested the Secretary-General to submit to the General Assembly at its sixty-sixth session, through the Council, a report on the implementation of that resolution. The Assembly, in its resolution 66/225, also requested the Secretary-General to submit a report to it at its sixty-seventh session. The present report, which has been prepared by the Economic and Social Commission for Western Asia, is submitted in response to the resolutions of the Assembly and the Council.

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Report prepared by the Economic and Social Commission for Western Asia on the economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan, covering the period 30 March 2011-29 March 2012*

Summary

The occupation of Palestinian territory, including East Jerusalem, by Israel and the use of policies and measures that violate a number of provisions of international humanitarian laws have had adverse social and economic ramifications on the Palestinian people in the occupied territory.

During the reporting period, 122 Palestinians were killed, including 12 children, and 2,077 were injured, including 362 children. By February 2012, 4,411 Palestinians remained in Israeli prisons, with reports of violations of their rights. Israeli authorities destroyed over 620 Palestinian-owned structures in 2011, a 42 per cent increase compared to 2010. A total of 1,100 Palestinians were displaced as a result of home demolitions and another 140 were displaced following settler violence.

Around 519,000 Israeli settlers live in 144 illegal settlements and around 100 outposts across the Occupied Palestinian Territory. 2011 marked an increase in settlement activity, compared to the previous year, jeopardizing the contiguity of the Palestinian territory. Settler violence also continued to increase, along with a continued takeover of Palestinian property.

Israel continued the construction of the 708-kilometre-long wall, 85 per cent of which lies within the West Bank. The wall isolates communities and natural resources while severing East Jerusalem from the rest of the Occupied Palestinian Territory.

Israel's blockade, imposed on the Gaza Strip since the takeover by Hamas in June 2007, continued to collectively punish the civilian population.

Over the course of 2011, Israeli obstacles, which impede the movement of Palestinians within the West Bank, increased to a total of 520 different types of obstacles.

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Israel persisted in exploiting and endangering natural resources in the occupied territories. In addition, Palestinians and Syrians living under occupation continue to suffer from discrimination with respect to water allotment.

Economic growth in the Occupied Palestinian Territory continues to be unsustainable and reflects an economy recovering from a low base, driven mainly by the non-tradable sector. Unemployment remained high and poverty and food insecurity, especially in Gaza, continue to be alarming.

Israel continued its settlement expansion in the occupied Syrian Golan, while the Syrian Arab population continued to suffer from discrimination and restrictions to access, including the expropriation of resources for the exclusive use of Israeli settlers.

I. Introduction

1. The Economic and Social Council, in its resolution 2011/41, and the General Assembly, in its resolution 66/225, expressed concerns over those practices of Israel, the occupying Power in the Occupied Palestinian Territory and the occupied Syrian Golan, which violate international humanitarian law. Those practices include causing deaths of and injuries to civilians, including children and women, all of whom must be protected in accordance with international humanitarian law. The Council expressed its deep concern about "the rising incidence of violence [...] by illegal armed Israeli settlers [...] against Palestinian civilians [...] and their properties", in addition to its concern about the continued detention of thousands of Palestinians, including children and women, under harsh conditions. Of concern also to the Council and the Assembly are the accelerated construction by Israel of settlements; the construction of the wall inside the Occupied Palestinian Territory; the exploitation of natural resources; the increased demolition of homes, economic institutions, agricultural lands and infrastructure; the revocation of residency rights of Palestinians in and around occupied East Jerusalem; and the continuing Israeli policy of closures and severe restrictions on the movement of persons and goods, including the blockade on the Gaza Strip. The Council and the Assembly, through their respective resolutions 2011/41 and 66/225, also highlighted the detrimental impact of Israeli practices on the natural resources and the social and economic conditions of the Palestinian people and the Arab population in the occupied Syrian Golan.

2. The Council and the Assembly requested that the Secretary-General submit reports on the implementation of their respective resolutions 2011/41 and 66/225, examining the practices of Israel, the occupying Power, that are contrary to those resolutions.

II. Occupied Palestinian Territory, including East Jerusalem

Deaths and injuries

3. Between 30 March 2011 and 29 March 2012, 122 Palestinians were killed and 2,077 others were injured as a result of direct conflict. While the majority of casualties were inflicted by Israeli security forces, 1 fatality and 205 injuries were the result of settler attacks. Among the casualties, 12 children were killed and 362 were injured. During the same period, 6 Israelis were killed, including 2 children, and 66 were injured, including 2 children.[1]

4. Approximately two thirds of the Palestinian casualties in the West Bank were related to settler violence or settlement activities, including casualties incurred during clashes in demonstrations protesting settler attacks, the takeover of land and access restrictions aimed at protecting settlements and their expansion.[2] In accordance with Israeli Military Order No. 101 (1967), Israeli authorities define rallies and demonstrations in the occupied territory, which did not receive a permit

[1] Information contributed by the Office for the Coordination of Humanitarian Affairs of the Secretariat, from its Protection of Civilians: Casualties Database, available from www.ochaopt.org/poc.aspx?id=1010002.

[2] Information contributed by the Office for the Coordination of Humanitarian Affairs, 2012.

from the Israeli military commander, as illegal assemblies, even if they are non-violent, and most are forcibly dispersed.[3]

5. In the Gaza Strip, Palestinian casualties were mainly caused by Israeli airstrikes, military incursions and extrajudicial assassinations. Among the casualties were 21 Palestinians, including 7 children and 2 women, who were shot and killed in areas of restricted access within the Strip.[2]

Arrests and detentions

6. During 2011, Israeli forces conducted approximately 4,200 search-and-arrest operations throughout the West Bank, including East Jerusalem, during which they arrested over 3,150 Palestinians.[2] By February 2012, 4,411 Palestinians remained in Israeli prisons, among them 183 minors.[4]

7. Administrative detentions are authorized by military commanders and the detainees are held, without trial or charges, for a period of six months that may be renewed an unlimited number of times. While detainees may appeal the detention order before a military court, their lawyers do not have access to the information on which the detention is based.[5] By February 2012, there were 320 Palestinian administrative detainees in Israeli prisons.[6]

8. Furthermore, the Israeli policy of transferring Palestinian prisoners to Israeli territory violates the obligations of Israel as the occupying Power under Article 76 of the Geneva Convention relative to the Protection of Civilian Persons in Time of War, of 12 August 1949[7] (Fourth Geneva Convention). The policy inflicts hardships not only on prisoners but also on family members who have almost no visitation rights, and those rights that are formally available are made essentially redundant due to the onerous permit and permission system imposed by Israel, as reported by the Special Rapporteur on the situation of human rights in the Palestinian territories occupied since 1967 (see A/66/358, para. 18).

9. Palestinian children detained by Israel also continue to be "systematically ill-treated during their arrest, transfer and interrogation", including physical and verbal abuse, as well as threats, intimidation and solitary confinement, which in some cases may amount to torture.[8]

10. Palestinian children, unlike Israeli children, are subject to Israeli military law, which offers far fewer protections for minors than Israeli criminal law (see A/66/358, para. 35). On average, 192 Palestinian children were detained in Israeli prisons throughout 2011.[9] Since 2000, around 7,500 Palestinian children have been

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[3] Association for Civil Rights in Israel, *The State of Human Rights in Israel and the OPT*, December 2011, p. 50, available from www.acri.org.il.

[4] Figures recorded by Btselem, available from: www.btselem.org/statistics/minors_in_custody and www.btselem.org/statistics/detainees_and_prisoners.

[5] *The State of Human Rights in Israel and the OPT*, pp. 14-15.

[6] See www.btselem.org/statistics/detainees_and_prisoners.

[7] United Nations, *Treaty Series*, vol. 75, No. 973.

[8] For details, see Defence for Children International — Palestine Section, "In their own words: a report on the situation facing Palestinian children detained in the Israeli military court system" (January 2012), p. 3.

[9] Ibid., p. 7.

detained and prosecuted by the Israeli authorities.[10] It is estimated that 99.74 per cent of cases brought against minors in the West Bank ended in conviction, with custodial sentences being imposed on children in 98 per cent of cases. This contrasts with a custodial sentence rate of around 6.5 per cent for Israeli children.[11]

Israeli administrative and legislative measures

11. Violence by Israeli civilians against Palestinians is exacerbated by the existence of a dual legal system, namely, civil courts for Israeli civilians and a less protective military justice system for Palestinians.[12] Filing a complaint against settlers or the Israeli military is often a complicated and intimidating process for many Palestinians. Many refrain from this process.

12. Israel promotes a land development model that excludes, discriminates against and displaces Palestinian and Bedouin communities.[13] The zoning and planning regime enforced by Israel in Area C[14] and East Jerusalem restricts Palestinian growth and development, while providing preferential treatment for Israeli settlements. This treatment includes the approval of master plans and the provision of essential infrastructure, participation in the planning process, and the allocation of land and water resources.[2]

13. The aforementioned restrictions prevent the establishment of Palestinian social and economic activities in 70 per cent of Area C.[15] In occupied East Jerusalem, 35 per cent of the city's land has been confiscated for the development of Israeli settlements and 22 per cent is zoned for green areas and public infrastructure, whereas only 13 per cent of the annexed area is zoned for Palestinian construction, which is insufficient for the natural growth of the Palestinian population.[16]

Property destruction and confiscation

14. Article 53 of the Fourth Geneva Convention prohibits the destruction of property belonging to "private persons, or to the State, or to other public authorities, or to social or cooperative organizations".

[10] Ibid., p. 4.

[11] Ibid., p. 5.

[12] Information contributed by the Office of the United Nations High Commissioner for Human Rights (OHCHR), 2012.

[13] Information reported by the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context, on her mission to Israel and the Occupied Palestinian Territory, available from www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=11815&LangID=E.

[14] Area C, which constitutes the vast majority of the West Bank, is under full control of the Israeli military, even with regard to civilian affairs.

[15] International Labour Organization, "The situation of workers of the occupied Arab territories" (2011), p. 3, available from www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_155419.pdf.

[16] Office for the Coordination of Humanitarian Affairs, "East Jerusalem: Key Humanitarian Concerns" (December 2011), p. 2, available from www.ochaopt.org/documents/ocha_opt_Jerusalem_FactSheet_December_2011_english.pdf.

15. In total, Israeli authorities destroyed over 620 Palestinian-owned structures in 2011, a 42 per cent increase compared to 2010. This included 222 homes, 170 animal shelters, 43 rainwater cisterns or pools, two classrooms and two mosques. Some 4,200 people were affected by these demolitions.[2]

16. The above-mentioned figures are in addition to approximately 24,800 Palestinian structures that were demolished in the occupied Palestinian territory between 1967 and 2010.[17] According to Israeli authorities, demolitions in 2011 were carried out against structures that lack Israeli building permits. It should be noted that it is extremely difficult for Palestinian residents to obtain such permits. Over 60 per cent of the Palestinian-owned structures demolished in 2011 were located in areas allocated by Israeli authorities to settlements.[2]

17. In occupied East Jerusalem, at least 32 per cent of all Palestinian homes lack building permits, which are difficult to obtain, thus potentially placing at least 86,500 residents at risk of displacement, especially since the number of outstanding demolition orders against Palestinian homes is estimated at up to 20,000.[18]

18. Israeli authorities demolished the Shepherd Hotel in East Jerusalem, which is a historical Palestinian landmark in the city, to make way for new settler housing units.[19]

19. The Palestinian Authority reported that Israeli authorities confiscated around 896,000 m^2 of agricultural land in the West Bank during 2011.[19]

Displacement and deportation

20. Article 49 of the Fourth Geneva Convention prohibits the forcible transfer of civilians of an occupied territory, except when necessary to ensure the security of the civilians involved or for imperative military reasons.

21. Almost 1,100 Palestinians, more than half of them children, were forcibly displaced as a result of home demolitions in the West Bank in 2011. This is twice the number of people displaced in 2010. In addition, 140 Palestinians were forcibly displaced as a result of Israeli settler violence in 2011.[2]

22. Conditions for the 155 herding communities remaining in Area C have deteriorated since 2000, with half their population having been forced out of the West Bank grazing areas, losing their herds and being involuntarily relocated to small towns and villages, thus forcing a sedentary lifestyle on them. This has partly been the result of an Israeli policy of systematic demolition of the traditional cistern-based water infrastructure essential for maintaining the Bedouin people's nomadic and agricultural way of life (see A/66/358, para. 42). Up to 2,300 Bedouin living in the Jerusalem periphery, the majority of whom are refugees, could also be forcibly displaced in 2012 if Israeli authorities follow through with their reported

[17] Information reported by the Israeli Committee Against House Demolitions, available from www.icahd.org/?page_id=5508.

[18] Information reported by the Israeli Committee Against House Demolitions, available from www.icahd.org/?page_id=5374.

[19] Information contributed by the Palestinian Authority, 2012.

settlement plans. Rural communities in the Jordan Valley are also facing the prospect of further demolitions as settlements continue to expand.[20]

23. Palestinians who were physically present in occupied East Jerusalem upon its occupation in 1967 were designated permanent residents. Under Israeli law, permanent residents are considered foreign citizens who wish to live in Israel but do not immigrate to the country under the Law of Return. Israel therefore treats Palestinian residents of East Jerusalem as immigrants (see A/66/356, para. 34).[21] Palestinian East Jerusalemites can and do lose their permanent residency status if they reside outside Israel or occupied East Jerusalem for a period of seven years, or if they obtain permanent residency or citizenship in another country. Lack of "loyalty to the State of Israel", can be, and has been, used as pretext for the revocation of residency of Palestinian East Jerusalemites. This is prohibited by the Regulations annexed to The Hague Convention IV of 1907[22] and could potentially pose a risk to many Palestinian residents of East Jerusalem of revocation of their permanent residency status, if they exercise their right to freedom of expression and opinion (see A/66/356, paras. 35-37).

24. Furthermore, the constitutionality of the Citizenship and Entry into Israel Law was upheld by the Supreme Court in January 2012. This law bars family reunification for Israelis married to Palestinians from the West Bank and Gaza. It specifically affects Palestinian Jerusalemites marrying spouses from the rest of the occupied territories. Such Palestinian families are thus forced to move abroad, live together illegally or live apart. This law violates the absolute prohibition of discrimination contained in international human rights law, notably in several treaties that Israel has ratified and is obliged to uphold, including the International Convention on the Elimination of All Forms of Racial Discrimination,[23] the International Covenant on Civil and Political Rights,[24] the International Covenant on Economic, Social and Cultural Rights[24] and the Convention on the Rights of the Child,[25] as recalled by the Office of the United Nations Special Coordinator for the Middle East Peace Process.[26]

25. Between 1967 and the end of December 2011, around 14,000 Palestinians had their Jerusalem residency revoked by Israeli authorities.[27]

26. In addition, it continues to be difficult to obtain permanent residency status permits, especially in cases of family unification, when East Jerusalemites are married to Palestinians from other parts of the West Bank or Gaza and wish to live together in East Jerusalem. Since 2003, a freeze on family reunification has obstructed "mixed residency" marriages. The registration of the children of such

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[20] Information reported by Amnesty International, available from www.amnesty.org/en/news/record-number-palestinians-displaced-demolitions-quartet-continues-talk-2011-12-13.

[21] The policy is based on the *Mubarak Awad* case of the High Court of Justice, which decided that the status of Palestinian residents should be regulated in accordance with the Entry in Israel Law (5712-1952), which is immigration legislation.

[22] See Carnegie Endowment for International Peace, The Hague Conventions and Declarations of 1899 and 1907 (New York, Oxford University Press, 1915).

[23] United Nations, *Treaty Series*, vol. 660, No. 9464.

[24] See resolution 2200 A (XXI), annex.

[25] United Nations, *Treaty Series*, vol. 1577, No. 27531.

[26] Information contributed by the Office of the United Nations Special Coordinator for the Middle East Peace Process, 2012.

[27] "East Jerusalem: Key Humanitarian Concerns", p. 1.

couples as residents of East Jerusalem remains a long and arduous process (see A/66/356, para. 38).

27. Settlement activities, which at times entail eviction of Palestinians from their homes, continue to threaten residents of East Jerusalem, placing them at risk of forced displacement. Particularly affected are the Old City of Jerusalem and Silwan, and 500 people in the Sheikh Jarrah neighbourhood.[27]

Settlements and settler violence

28. Security Council resolution 446 (1979) considers Israeli settlements illegal and a serious obstruction to achieving peace. The illegality of Israeli settlements in the Occupied Palestinian Territory is based on article 49 of the Fourth Geneva Convention, which stipulates that the "Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies." The settlements are also viewed as part of the "new frontiers of dispossession of the traditional inhabitants ... and control of the Palestinian territory".[13]

29. Around 519,000 Israeli settlers live in 144 illegal settlements[28] and 100 outposts across the Occupied Palestinian Territory. The outposts are typically smaller settlements that are often tolerated and supported by the Government, sometimes in defiance of Israeli court rulings, but are illegal under Israeli law.[29]

30. Around 40 per cent of the West Bank has been seized by the Israeli authorities for the purpose of settling its civilian population in the Occupied Palestinian Territory, in violation of international humanitarian law.[30]

31. Furthermore, the Palestinian population continues to suffer from institutionalized discrimination between Palestinian residents and Israeli settlers, which privileges the interests of the settlers over those of Palestinians. This regime is characterized, among other things, by two separate judiciary systems, one for Palestinians and another for Israeli settlers.[31] Israeli settlers are also provided with benefits by the Israeli Government as incentives to encourage migration into illegal settlements. These incentives include financial benefits, low housing costs and high standards of living.[32]

Settlement activity

32. 2011 marked a year of increased settlement activity, with a 20 per cent rise in new construction in the settlements, compared to 2010. A number of planned

[28] Palestinian Central Bureau of Statistics, press release dated 3 August 2011, available from: www.pcbs.gov.ps/Portals/_pcbs/PressRelease/Sett_E2011.pdf.

[29] Information recorded by Btselem, available from: www.btselem.org/settlements/statistics.

[30] Office for the Coordination of Humanitarian Affairs, fact sheet, "How Dispossession Happens: The Humanitarian Impact of the Takeover of Palestinian Water Springs by Israeli Settlers", March 2012, p. 4, available from: www.ochaopt.org/documents/ocha_opt_springs_report_march_2012_english.pdf.

[31] *The State of Human Rights in Israel and the OPT*, p. 12.

[32] Israel defines most settlements in the West Bank as priority areas. See Btselem, www.btselem.org/settlements/migration.

settlement units are located in areas that are vital to the contiguity of the Palestinian territory.[33]

33. In addition, during 2011, the Israeli cabinet announced its intention to officially legalize 11 outposts where 2,300 settlers reside to become fully recognized settlements, and to legalize hundreds of units of illegal construction in existing settlements.[33]

34. In occupied East Jerusalem, 4,000 new settler housing units were approved during 2011. This figure is the highest since at least 2006.[20] The Israeli Government also began the construction of 55 new settlement units in three locations at the heart of Palestinian neighbourhoods in Jerusalem.[33]

35. The Palestinian Authority has reported that over the past three years, the Israeli authorities expanded settlements in the occupied territory with 28,000 new housing units that would house around 103,000 settlers.[34]

Settler violence

36. The failure of the Israeli authorities in law enforcement vis-à-vis settler violence and takeover of Palestinian property continues to perpetuate a state of impunity in the occupied West Bank, encouraging further violence.[2] It also constitutes an ongoing violation of its most fundamental obligation under international humanitarian law to protect a civilian population living under occupation, and to accord particular protection to children as specified in article 77 of the Protocol Additional to the Geneva Conventions of 12 August 1949, and relating to the Protection of Victims of International Armed Conflicts (Protocol I) (see also A/66/358, para. 27).[35]

37. A 30 per cent increase in the number of settler attacks resulting in either Palestinian casualties or damage to their property was recorded in 2011, as compared with 2010.[2] The figure for 2011 is more than 165 per cent higher than that recorded in 2009. Around 10,000 Palestinian-owned trees, mainly olive trees, were damaged or uprooted by Israeli settlers, severely affecting the livelihood of hundreds of Palestinian families.[12]

38. Between February 2011 and February 2012, Israeli settlers vandalized and set fire to seven mosques and one church.[36]

39. A further manifestation of these attacks is the frequent settler harassment of Palestinian children on their way to school, which has reportedly discouraged many children and their families from attending school, thereby violating their right to education (see A/66/358, para. 27).

40. The Office of the United Nations High Commissioner for Human Rights documented several cases where the Israeli army appeared to provide direct support to settlers when they attacked Palestinian communities. Israeli troops focused their

[33] Information recorded by Peace Now, available from peacenow.org.il/eng/2011Summary.

[34] Palestinian Liberation Organization, Negotiations Affairs Department, Report on Israeli activities in 2011 (January 2012), p. 3.

[35] United Nations, *Treaty Series*, vol. 1125, No. 17512.

[36] See the monthly reports of the Palestinian Monitoring Group (Palestinian Liberation Organization, Negotiations Affairs Department), available from: www.nad-plo.org/monthlyreports.php.

efforts in dispersing Palestinians or removing them from their lands rather than protecting them and their private properties from Israeli settlers.[12]

The wall

41. Contrary to the advisory opinion of the International Court of Justice, Israel continues the construction of the 708-kilometre-long wall in the West Bank, which is more than twice the length of the 320-kilometre-long 1949 Armistice Line (Green Line) between the West Bank and Israel, and runs inside the West Bank and East Jerusalem for approximately 85 per cent of its route. By end of 2011, 61.8 per cent of it was complete, while a further 8.2 per cent was under construction and another 30 per cent was planned but not yet constructed.[2]

42. Upon completion, the wall will isolate around 11.9 per cent of the West Bank lands and 27,500 Palestinians, in the "Seam Zone"[37] while directly affecting 247,800 others.[38] Additionally, it will isolate East Jerusalem and its 270,000 Palestinian residents from the rest of the Occupied Palestinian Territory and physically separate approximately 55,000 residents of the East Jerusalem Governorate from its urban centre.[27]

43. Approximately 6,500 Palestinians currently reside in the closed area between the wall and the Green Line.[2]

44. Access for Palestinians to lands in the Seam Zone is channelled through 66 designated gates erected in the wall, most of which are only open during the olive harvest season and usually only for a limited period during the day. Such access is also dependent on obtaining a permit from the Israeli authorities. To apply for, or to renew such a permit, applicants must satisfy Israeli security considerations and also submit documents to prove a "connection to the land".[2] In April 2011, the Israeli Supreme Court ruled against petitions submitted by Israeli organizations against this permit regime.[39]

Mobility restrictions and closure policies

The Gaza Strip blockade

45. The blockade imposed by Israel on the Gaza Strip continues to collectively punish the civilian population, in violation of Israel's international legal obligations (see A/66/370, para. 12), with a disproportionate impact on vulnerable groups and the aid agencies trying to help them.[40]

46. In June 2010, Israel moved away from a "positive" list of goods allowed into Gaza to a "negative" list of goods whose entry is prohibited. Israeli authorities issued a list of "dual-use" items restricted for import, which is still in force. The list includes items, which are not considered as to allow for dual usage by Israeli

[37] The Seam Zone is the West Bank area located between the wall and the Green Line and completely isolated from the rest of the West Bank.

[38] Information recorded by Btselem, available from: www.btselem.org/separation_barrier/statistics.

[39] *The State of Human Rights in Israel and the OPT*, p. 36.

[40] Information contributed by the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 2012.

legislation or by any other international standard. It also lacks specificity and is therefore extensive, including most construction material and equipment for water and sanitation projects. Consequently, while imports to the Gaza Strip have increased through official channels, they remain at less than 40 per cent of the pre-2007 levels.[2]

47. Between 2010 and 2011, imports of raw agricultural materials and animal feed into the Gaza Strip decreased, indicating that the policy decision of the relaxation of trade in June 2010 did not improve the availability of agricultural inputs in the Gaza Strip.[41]

48. Private sector manufacturing companies surveyed in June 2011 reported that 21 per cent of the raw materials essential to production were not available at all in Gaza.[2]

49. The need for specific approvals for importing material has resulted in prolonged delays in essential projects addressing humanitarian needs. This, in addition to delays in acquiring Israeli approval for infrastructure projects, has deepened the decline in key areas, for such essential international projects as housing, water and sanitation. As time passes, funds pledged by donors to specific projects may become unavailable in the future.[2]

50. By the end of the 2010 and 2011 seasons, the total cash crop exports of carnations and strawberries to Europe did not surpass 25 per cent of pre-blockade levels, while vegetable exports amount to 0.4 per cent of those levels.[41]

"Access restricted areas" within the Gaza Strip

51. In addition to the blockade, Israel imposes land and maritime "access restricted areas" in the Gaza Strip and along its coast. As a result of this measure, 35 per cent of Gaza's cultivable land and 85 per cent of its maritime area have become totally or partially inaccessible to Palestinians.[42]

52. The lowest fishing catch of the past 12 years was recorded in 2011. In addition, fishermen remain vulnerable to various forms of violence at sea, including the use of live ammunition against fishing boats and arbitrary detention. In 2011, 72 incidents targeting fishermen were recorded.[2]

Mobility in the West Bank

53. By the end of 2011, there were approximately 520 obstacles hindering Palestinian movement within the West Bank, a 4 per cent increase from the equivalent figure by the end of 2010. These include permanently staffed and partial (staffed on an ad hoc basis) checkpoints, as well as unstaffed physical obstacles, including roadblocks, earth mounds, road gates, barriers and trenches.[2]

54. The regime of restrictions is often related to Israeli settlements, securing areas for their expansion, or improving the connectivity between settlements and Israel itself. This regime continues to hinder the access of the Palestinian population to livelihoods and basic services. Overall, 200,000 people from 70 villages are forced

[41] Information contributed by the Food and Agriculture Organization of the United Nations, 2012.

[42] "The Access Restricted Areas in the Gaza Strip: update for January-December 2011", p. 1, available from: http://reliefweb.int/sites/reliefweb.int/files/resources/ARA%20Update%202011.pdf.

to use detours between two and five times longer than the direct route to their closest city, owing to movement restrictions. To date, 9 of the 10 governorates' main cities continue to have one or more of their historical entrances blocked. Access to the main traffic arteries leading from the villages to the cities also continues to be limited to select junctions.[2]

55. The Old City of Hebron is separated from the rest of the city by 122 closure obstacles, while Palestinian movement by car, and in some cases also by foot, remained banned along certain streets. In June 2011 the Israeli Supreme Court[43] approved the travel restrictions that have been in place for more than a decade, banning Palestinians from traversing the centre of Hebron, essentially marking it for Israeli use only.[43]

56. The Jordan Valley and Dead Sea area covers around 30 per cent of the West Bank, and is home to nearly 60,000 Palestinians. Eighty-seven per cent of the land is designated as Area C, virtually all of which is earmarked for the use of the Israeli military or settlements. An additional 7 per cent, formally part of Area B, was designated a nature reserve. Palestinian access to and from the area is severely restricted by Israeli checkpoints. These restrictions severely harm Palestinians living there and who are completely dependent on services available outside the Jordan Valley, including hospitals and most educational institutions. The restrictions on movement also apply to ambulances, which are not permitted to enter the Jordan Valley.[44]

57. During 2011, Israel prevented more than 4,000 Palestinians from travelling to Jordan by the Al-Karamah border crossing, citing security considerations, without giving further details, according to the Euro-Mediterranean Observatory for Human Rights.

Access to occupied East Jerusalem

58. Palestinians holding West Bank identification documents continued to require special entry permits to access occupied East Jerusalem. Overcrowding, along with the multiple layers of checks and security procedures at the four designated checkpoints, have made entry into occupied East Jerusalem a long and difficult experience. Restricted access to occupied East Jerusalem has had a particularly negative impact on access to Palestinian hospitals located in the city, as well as on Muslims and Christians wishing to access Jerusalem's holy sites.[2]

59. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) reported a total of 280 access incidents involving its staff in 2011, affecting teachers, medical doctors and nurses, social and relief workers and field office staff. These included demands for searches of United Nations vehicles entering occupied East Jerusalem, in contravention of the Convention on the Privileges and Immunities of the United Nations,[45] to which Israel is a party. Moreover, access to Seam Zone areas for mobile health, food assistance, mental health services and social work teams was further restricted with the majority of staff from the Agency unable to reach communities in the Seam Zone.[40]

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[43] *The State of Human Rights in Israel and the OPT*, pp. 34-35.

[44] Btselem, "Dispossession and Exploitation: Israel's policy in the Jordan Valley and Northern Dead Sea", May 2011, p. 29.

[45] Resolution 22 A (I).

Exploitation, endangerment and depletion of Palestinian natural resources

60. Israeli policies regarding natural resources in the Occupied Palestinian Territory violate The Hague Regulations of 1907 and the Fourth Geneva Convention, of 1949, which stipulate that the occupying Power is obliged to safeguard the natural resources of the occupied country and to provide the original citizens with their needs from these resources.

61. Palestinians live under conditions of significant water stress. Water shortage is a serious problem facing most districts in the West Bank and Gaza Strip, not only due to climatic conditions but also due to Israeli access restrictions. The water allocated to the Palestinians translates to 83 cubic metres of water per Palestinian per year, compared to 333 cubic metres per Israeli per year. In other words, a Palestinian is allocated one quarter of the amount of water allocated to an Israeli.[46]

62. Since 1967, Palestinian drilling for new wells in the occupied territory has been banned and quotas have been imposed on existing ones. Water that was allocated to the Palestinians was capped at 1967 levels, despite the growth in population. Israel uses 73 per cent of the West Bank's water, diverting an additional 10 per cent of it to its settlements and selling the remaining 17 per cent to the Palestinians.[46]

63. The Jordan Valley area is considered one of the richest natural water sources in the West Bank. Israel has taken control of most of the water sources in the area and has earmarked the use of most of the resources exclusively for Israeli settlers.[47]

64. Thirty of the water springs in the West Bank have been taken over completely by Israeli settlers, while the other 26 are at risk of settler takeover, due to regular settler "tours" and patrolling. At least 84 per cent of springs affected by settler activities are located on land recognized by the Israeli Civil Administration as privately owned by Palestinians.[48]

65. Wastewater from Israeli settlements is collected and discharged to the nearby Palestinian valleys without treatment, thereby affecting water quality in the West Bank. In addition, the wall has isolated 58 different water sources within the "Seam Zone". As a result, many farming families and communities are unable to survive and to maintain their lands. Another negative impact is the wall's interference with the natural drainage systems. In times of high rainfall, both flooding and substantial environmental and agricultural damage are being caused.[46]

66. Furthermore, to make way for the construction of the wall, Israel has uprooted more than 100,000 trees and destroyed 36,000 m of irrigation works, affecting some 170 km^2 or 10 per cent of the fertile agricultural land in the West Bank.[46]

67. On 26 December 2011, Israel's High Court of Justice issued a ruling that enables the Israeli State and private enterprises to continue using quarries in the West Bank. While such practices started in the mid-1970s, currently there are 10

[46] Information contributed by the United Nations Environment Programme, 2012.

[47] "Dispossession and Exploitation: Israel's policy in the Jordan Valley and Northern Dead Sea", p. 19.

[48] "How Dispossession Happens: The Humanitarian Impact of the Takeover of Palestinian Water Springs by Israeli Settlers", p. 2.

Israeli-owned quarries in the West Bank, eight of which are active and produce some 12 million tons of mined material per year, 94 per cent of which is taken to Israel.[49]

68. Israeli businesses continue to build and run industrial zones in the occupied territory, especially since the Israeli Government offers tax reductions for such activity, with more than 18 Israeli industrial zones and 160 industrial facilities currently located in the Occupied Palestinian Territory. The Israeli Government itself constructed at least seven industrial zones in the West Bank, located mainly on hilltops, which often result in the flow of industrial wastewater into adjacent Palestinian lands. The industrial solid waste generated by factories is often collected and dumped in areas near Palestinian villages. Such waste can cause damage to agricultural crops and orchards as well as polluting the soil and the potential damage to groundwater.[46]

69. The United Nations Environment Programme cites concerns that Israel illegally transfers hazardous and toxic wastes generated inside Israel into the West Bank, thereby violating the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.[50]

70. In the Gaza Strip, the population relies predominantly on ground wells, where water is increasingly infiltrated by salty seawater because of the overpumping of groundwater by Israel between 1967 and 2005. As a result, Gaza is facing a severe water crisis and warnings that Gaza will have no potable water within 15 years.[46]

71. Farmers in the Gaza Strip are thus forced to use salty and polluted water from agricultural wells for irrigation, which subsequently restricts both agricultural productivity and the quality of the produce, reducing its export potential in addition to presenting health risks owing to the resulting degradation in food quality.[41]

Socioeconomic conditions in the Occupied Palestinian Territory

Economic conditions

72. Economic growth in the Occupied Palestinian Territory continues to be unsustainable and reflects an economy recovering from a low base, mainly driven by the non-tradable sector, especially the economy of the Gaza Strip. This highlights the importance of donor aid in sustaining the Palestinian economy, rather than the private sector, which remains stifled by Israeli restrictions on access to natural resources and markets. Unemployment remains high, and poverty and food insecurity, especially in Gaza, continue to be alarming.[51]

73. In the first half of 2011, GDP in the Occupied Palestinian Territory grew at a rate of 10 per cent. The strong performance was driven by an exceptionally high rate of growth of 28 per cent in Gaza, owing mainly to the revitalization of construction works following the loosening in 2010 of the Israeli blockade and an increase in the

[49] Btselem, "High Court sanctions looting: Israeli quarries in the West Bank", 16 January 2012, available from www.btselem.org/printpdf/127713.

[50] United Nations, *Treaty Series*, vol. 1673, No. 28911.

[51] World Bank, "Sustaining Achievements in Palestinian Institution-building and Economic Growth", Economic Monitoring Report to the ad hoc liaison committee, 18 September 2011, p. 6.

supply of materials through the tunnels. In the West Bank, over the same period, growth was only 4 per cent, compared to 8 per cent in 2010. Output in the West Bank actually fell by nearly 5 per cent between the fourth quarter of 2010 and the first quarter of 2011.[52] This slowdown was caused by continued fiscal retrenchment, declining aid and a resulting liquidity crisis, as well as continued Israeli restrictions during 2011.

74. Long-term development prospects remain grim. Israeli restrictions not only increase prices of basic staples such as vegetables, fruits and sugar, but also continue to obstruct wider agricultural development and more rational urban and regional economic and spatial planning. A large trade deficit and dependence on the Israeli economy persisted.[53]

75. Israel's different forms of restrictions, as mentioned in the present report, combined with the shortfall in external financing, high Palestinian Authority wage bills and other expenditures, and low rates of tax collection,[26] have led to a fiscal crisis for the Palestinian Authority, weakened the private sector and caused a decline in business confidence.[54]

76. While Gaza's growth in 2010 may appear impressive, much of it represents a recovery of real GDP following its contraction by a cumulative 30 per cent during the period from 2006 to 2009, as a result of trade restrictions. Even after its surge in 2010-2011, Gaza's real GDP was projected to be 6 per cent below its 2005 level by the end of 2011.[55]

77. The ongoing blockade of the Gaza Strip, in particular, resulted in increasing reliance on the illicit "tunnel economy", which expanded during 2011. Imports of basic construction materials and other productive inputs through tunnels vastly outpaced those through Israeli-controlled crossings, despite a relative easing in the movement of goods through the latter.[40] The tunnel economy has thus become the main driver of economic activity. Its role is so overwhelming that established legitimate businesses have had to adapt to it to some extent.[56]

78. Despite some improvement, unemployment remained alarmingly high, and labour force participation low, in both the West Bank and Gaza Strip. The labour force participation rate stood at 44.4 per cent. The unemployment rate in the 4th quarter of 2011 among labour force participants was 21 per cent, for the Occupied Palestinian Territory, 30.3 per cent in the Gaza Strip and 16.6 per cent in the West Bank. The most affected are youths aged 20-24, whose labour participation rate stood at 45.3 per cent, while the rate of unemployment among them was at 38 per cent, and unemployment among refugees was at 27.5 per cent.[57] The divergence in employment indicators between the West Bank and Gaza Strip reflects tighter restrictions in Gaza on external trade and on the employment of workers in Israel, the higher sensitivity of its output to such restrictions given its small domestic

[52] "Sustaining Achievements in Palestinian Institution-building and Economic Growth", pp. 7-8.
[53] Information contributed by the United Nations Conference on Trade and Development, 2012.
[54] "Sustaining Achievements in Palestinian Institution-building and Economic Growth", p. 7.
[55] International Monetary Fund, "Recent Experience and Prospects of the Economy of the West Bank and Gaza" staff report prepared for the meeting of the ad hoc liaison committee, New York, 18 September 2011, p. 21.
[56] "The situation of workers of the occupied Arab territories", p. 5.
[57] Palestinian Central Bureau of Statistics, "Labour Force Survey (October-December 2011)" (February 2012).

market, and higher uncertainty faced by the private sector as a result of more frequent hostilities and the degradation of public institutions and infrastructure since 2006. Despite limited gains in employment, real wages continued to deteriorate with the purchasing power of the average monthly wage declining some 2.8 per cent in 2011.[40]

79. Eighty per cent of the Gazan population is currently dependent on international assistance for subsistence (see A/66/358, para. 41). And in the light of the trend for declining international aid, there is a risk that, should Gazan families' average income decline by 20 per cent, the proportion living in poverty would immediately increase from 33 per cent to a staggering 49 per cent.[58]

80. Since June 2010, Israel has prohibited any pharmaceutical, dairy or meat products from the West Bank from entering into East Jerusalem, which is estimated to entail up to $48 million in losses annually for the Palestinian economy. Even when goods are allowed into East Jerusalem, they pass through commercial crossing points where they undergo a process called "back to back" transfer, which adds to the high transaction costs of Palestinian trade.[53]

81. According to the International Monetary Fund, even with a significant easing of movement and access restrictions, combined with sufficient donor funding to finance recurrent and development spending, Gaza's real GDP per capita by 2013 would remain at 10 per cent below its 1994 level.[59]

Food security

82. Food insecurity levels for Palestinian families across the Occupied Palestinian Territory in 2011 were recorded at 27 per cent, 18 per cent in the West Bank and 44 per cent in the Gaza Strip.[41] Nutrition indicators also remain of concern, including the prevalence of underweight children increasing from 3.2 per cent in 2010 to 3.9 per cent in 2011.[40] The fact that 95 per cent of Gaza's water is unfit for human consumption also leads to a disproportionately high number of cases of methaemoglobinaemia ("blue-baby syndrome") among babies in Gaza (see A/66/370, paras. 14 and 15).

83. Food insecurity in the West Bank is largely determined by the socioeconomic conditions of Palestinian households and the physical and economic barriers to food access, production and trade.[60] Some geographical areas have shown particularly high levels of food insecurity, such as the Israeli-controlled administrative Area C, the Seam Zone and refugee camps.[40]

Public health

84. According to UNRWA, as a result of Operation Cast Lead and the blockade, approximately one third of the population of Gaza lives in overcrowded and dilapidated camps, with inadequate environmental, health, commercial, social and recreational infrastructure.[40]

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[58] World Bank, "Coping with Conflict: Poverty and Inclusion in the West Bank and Gaza", October 2011.

[59] "Recent Experience and Prospects of the Economy of the West Bank and Gaza", p. 36.

[60] World Food Programme and Food and Agriculture Organization of the United Nations, "Socioeconomic and Food Security Survey: West Bank and Gaza Strip, Occupied Palestinian Territory" (February 2011).

85. The blockade on the Gaza Strip has adversely affected the quality of medical services in the Gaza Strip by hindering national health planning efforts, limiting the access of health personnel to professional development training outside of Gaza and the movement of health professionals into Gaza, restricting the construction and rehabilitation of the health infrastructure, and disrupting power and fuel supplies.[61]

86. In 2011, electricity cuts lasting up to 10 hours per day strained back-up power sources and affected medical equipment, causing interruption or postponement of medical treatment.[61] Electricity cuts reportedly worsened during the first months of 2012.

87. The blockade also exacerbates the chronic shortages of essential medicines, of which between 32 and 36 per cent were at zero stock throughout 2011, and of required medical disposables, of which only 260 of the 900 needed were available.[62] For instance, a cancer patient in Gaza can only expect to find half of the drugs required for effective chemotherapy.[63]

88. These chronic shortages forced patients to be referred abroad, in spite of the difficulties in obtaining a permit to exit the Gaza Strip. In this regard, five patients died, after being referred for treatment outside of Gaza, while waiting either for Israeli permits to cross Erez checkpoint or for appointments to an appropriate referral hospital.[61]

89. The United Nations Relief and Works Agency for Palestine Refugees in the Near East estimates that 45 per cent of poor and food insecure refugee households in refugee camps and 51 per cent of such households in cities have at least one member with a chronic disease.

90. In the West Bank, difficulties in obtaining building permits hinder appropriate maintenance and expansion of necessary health infrastructure such as primary health clinics. In Area C, 22 per cent of the 271 communities face difficulties in accessing health services, owing to road detours, road barriers and the cost of transportation.[61]

91. Despite reported improvements, movement restrictions prevent Palestinians from accessing six Palestinian hospitals run by non-governmental organizations in East Jerusalem, which are the main providers of specialized care for the Occupied Palestinian Territory. The World Health Organization estimates that 95 per cent of all patient ambulance transfers into Jerusalem are restricted from direct entry into the city and are conducted by "back to back" ambulances.[61]

92. In the West Bank, UNRWA reported a threefold increase in demand for mental health services during 2011, in connection with stress-related disorders. This rise in demand can be directly linked to protection concerns related to the occupation, including violence, the wall, forced displacement and subsequent socioeconomic hardship.[40]

93. Gazans continue to live under an intense degree of psychological trauma. Fifty-four per cent of pregnant women experience depression, and 33 per cent were

[61] Information contributed by the World Health Organization, 2012.

[62] Médecins Sans Frontières, press release dated 17 November 2011, available from: www.msf-me.org/en/news/news-media/news-press-releases/gaza-chronic-shortages-of-drugs-and-medical-supplies.html.

[63] International Committee of the Red Cross, "Israel and the occupied territories: another year without change", 6 February 2012.

suffering from anaemia (see A/66/370, paras. 14 and 15). Almost a quarter of the patients assisted through UNRWA community mental health services in Gaza in 2011 were children with problems including bedwetting, which is a frequent symptom of psychological trauma. Depression, anxiety, fear and anger were also common reasons for seeking care.[40]

Education

94. In Area C in the West Bank, children have to overcome daily obstacles on their way to school such as mobility restrictions and facing harassment and violence from settlers and the military.[64] According to a recent survey, 26 out of 101 surveyed Palestinian communities in the West Bank reported that schoolchildren, youths and teachers experienced harassment and/or violence by Israeli military or security forces while going to and from school, while 28 communities reported settler violence along the same lines.[65]

95. Since building permits are very difficult to obtain for Palestinians in Area C, many schools fall short of basic safety and hygiene standards, while facing demolition and stop-work orders.[64]

96. Between January and November 2011, 32 attacks by Israeli settlers and security forces against Palestinian schools were reported, 21 in the West Bank and 11 in Gaza.[66] Thirteen schools serving 4,497 girls and boys are located in the access restricted areas.[65]

97. The Palestinian Authority also reported that Israeli authorities had issued directives to the effect that the exclusive source of textbooks for public schools in occupied East Jerusalem is the Israeli administered municipality, consequently banning schools from acquiring books from Palestinian sources.[19]

98. The United Nations Relief and Works Agency for Palestine Refugees in the Near East needs to construct 100 schools in order to meet the needs of all eligible refugee children across the Gaza Strip over a three-year period. Currently, due to chronic underfunding and the inability to build new schools under Israeli-imposed restrictions, more than 94 per cent of UNRWA schools in Gaza operate on a double-shift basis. In some cases, shipping containers have been utilized as classrooms.[40]

99. In occupied East Jerusalem, 1,000 additional classrooms are required to accommodate Palestinian children in schools, while many existing facilities are substandard or unsuitable.[27] In the West Bank, at least 10,000 students have to study in tents, caravans or tin shacks.[64]

III. The occupied Syrian Golan

100. The occupation of the Syrian Golan in 1967 and its purported annexation in 1981 by the passing of the Golan Heights Law continue. The Security Council, in its

[64] Information recorded by the United Nations Children's Fund (UNICEF), available from: www.unicef.org/infobycountry/media_59706.html.

[65] Save the Children, fact sheet "Children's Right to Education in Armed Conflict" (October 2011).

[66] UNICEF, Children Affected by Armed Conflict bulletins for September 2011 and November 2011.

resolution 497 (1981), declared that the Israeli decision to impose its laws, jurisdiction and administration in the Syrian Golan was null and void.

101. In 2011 Israel continued its settlement expansion, while the Syrian Arab population continues to suffer from discrimination and access restrictions, including the expropriation of resources for the exclusive use of settlers in the occupied Syrian Golan. Approximately 19,000 Israeli settlers live in 33 settlements in the occupied Syrian Golan (see A/66/364, para. 34).

102. Land continues to be expropriated from Syrian citizens, for military or security pretexts. Permits for the expansion of the Syrian villages in the occupied Syrian Golan are not granted by the Israeli authorities. The Syrian population thus continues to build without Israeli permits. Although standing demolition orders have not been implemented, fines have been imposed for building without permits.[67]

103. Israel is building a 2-kilometre-long, 8-metre-high wall, which would reinforce an existing fence and also cut off the "valley of screams" (see A/66/370, para. 59).

104. On 15 May 2011, after firing warning shots, Israeli forces opened fire on hundreds of demonstrators commemorating Nakba Day, who tried to cross the ceasefire line into the occupied Syrian Golan (see S/2011/359). As a result, 44 civilian casualties, including four fatalities, were recorded.

105. Syrian citizens in the occupied Syrian Golan are not allowed to exploit the available lake waters, drill artesian wells or build water tanks to collect rainwater and melted snow.[68] Hence they are forced to pay high prices for water extracted from occupied Syrian territory. Israeli settlers, who had access to significantly more water, reportedly paid lower rates (see A/66/370, para. 58).

106. Moreover, Syrian farmers may be subjected to rationing, which prematurely cuts off their water supply, preventing them from using the full amount of water allocated to them. Such rationing is not applied to the settlers. In addition, the high taxes levied on agricultural products reduce the earnings obtained by producers, in particular for apples, which are their main crop.[67]

107. There continue to be few employment opportunities, particularly for Syrian university graduates and other young people seeking professional posts. In practice, they are deprived of adequate work in line with their academic and professional qualifications. Syrian workers hired to work for Israeli employers often do not benefit from social security arrangements. They do not accept Israeli citizenship, and do not wish to join the Israeli labour unions. They cannot form their own trade unions. Young people in particular are under pressure to leave the area, thus affecting its already precarious demographic balance.[69]

108. Meanwhile, the Syrian population of the occupied Syrian Golan continues to be banned from visiting family members in the Syrian Arab Republic (see A/66/364, para. 34). A number of Syrian residents were reportedly arrested for attempting to make a connection with their home country.[67]

109. There are concerns regarding the conditions and treatment of Syrians detained by Israel, namely limited family visits, degrading treatment and denial of

[67] "The situation of workers of the occupied Arab territories", p. 31.
[68] "The situation of workers of the occupied Arab territories", pp. 31-32.
[69] "The situation of workers of the occupied Arab territories", p. 32.

educational opportunities. Dozens of Syrians are also reportedly detained without having had any formal charges brought against them (see A/66/370, para. 60).

110. Landmines continue to pose a serious threat to civilians in the occupied Syrian Golan. To date, 532 casualties have been recorded, including 202 fatalities.[67] Owing to the long-term presence of the mines and the deterioration of their detonation systems, the threat has increased (see S/2011/748, para. 6).

IV. Conclusion

111. Despite some welcome measures aimed at supporting the economy in the Occupied Palestinian Territory, the occupation continues to have grave socioeconomic consequences for the Palestinian population.

112. Israeli violations including violence, settlements, restrictions and discrimination towards Palestinians, and Syrians in the occupied Syrian Golan, and their ensuing grave social and economic consequences, do not serve peace nor inspire confidence. The occupation is politically, economically and morally not sustainable and must end, as part of a negotiated solution and peace agreement that ends the conflict and addresses all final status issues. The international community should persist in its efforts to achieve this goal through a comprehensive, just and lasting peace in the Middle East, in line with international law and relevant resolutions of the United Nations.

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Item 24 (a) of the preliminary list*
Groups of countries in special situations: follow-up to the Fourth United Nations Conference on the Least Developed Countries

Report of the ad hoc working group to further study and strengthen the smooth transition process for the countries graduating from the least developed country category

I. Introduction

1. By its resolution 66/213, the General Assembly requested the President of the General Assembly to establish an ad hoc working group to further study and strengthen the smooth transition process for the countries graduating from the least developed country category, open to all Member States, and to submit a report to the Assembly at its sixty-seventh session with specific recommendations, consistent with the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action).

2. Since the recently graduated and graduating countries have expressed their concerns that the existing smooth transition process has not been working well in practice and that there is considerable uncertainty about how the international community will approach development cooperation with graduating countries, it was deemed necessary to encourage exchanges of information and views among Member States about the smooth transition process.

3. The General Assembly adopted the terms of reference of the working group in its decision 66/553, reiterating those concerns. The terms of reference establish the general objective of the working group to strengthen the smooth transition process and to facilitate the widest consensus possible between graduating or graduated countries and their development partners, thus providing additional reassurance to least developed countries that they will not fall behind in their development. The terms of reference further postulate that the working group should prepare recommendations on improving the smooth transition process to the General

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Assembly at its sixty-seventh session, with a view to submitting a new resolution on the issue.

4. The present report and the recommendations contained herein are submitted pursuant to General Assembly resolution 66/213 and decision 66/553.

5. On 3 January 2012, during the sixty-sixth session of the General Assembly, the President of the General Assembly appointed Jan Grauls, Permanent Representative of Belgium to the United Nations, and Brian Bowler, Permanent Representative of Malawi to the United Nations as Co-Chairs of the working group.

6. The establishment of the working group follows the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul from 9 to 13 May 2011, which adopted the Istanbul Declaration and Istanbul Programme of Action (A/CONF.219/3/Rev.1). The overarching goal of the Programme of Action is to overcome the structural challenges faced by the least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category. Specifically, the Programme of Action sets the ambitious objective of enabling half the number of least developed countries to meet the criteria for graduation by 2020. The Programme of Action is the first global programme of action for least developed countries to contain a chapter on graduation and smooth transition, recognizing the need to do more in this area if the overarching goal is to be achieved.

7. Building upon General Assembly resolution 59/209, the Programme of Action states that the measures and benefits associated with least developed country membership status need to be phased out consistent with their smooth transition strategy, taking into account each country's particular development situation. It further elaborates that it is crucial for graduating countries to take the lead in the development of smooth transition strategies with the support of their development and trading partners. Development and trading partners, including the United Nations system, should continue to support the implementation of the transition strategy and avoid any abrupt reductions in financial and technical assistance and should consider extending trade preferences to the graduated country, on a bilateral basis.

8. The present report summarizes the deliberations of the working group and provides an overview of the key issues and proposals put forward by Member States and experts for further consideration.

II. Organization of the session

A. Opening and duration of the session

9. The working group convened at United Nations Headquarters from 16 January to 6 June 2012.

B. Endorsement of the Co-Chairs

10. At its 1st meeting, on 16 January 2012, the working group endorsed the appointment by the President of the General Assembly of Jan Grauls, Permanent

Representative of Belgium to the United Nations, and Brian Bowler, Permanent Representative of Malawi to the United Nations, as Co-Chairs.

C. Adoption of the agenda and organization of work

11. At its 1st meeting, the working group adopted the provisional agenda for the working group, as contained in document A/AC.279/2012/L.1. The agenda read as follows:

1. Opening of the session.
2. Endorsement of the Co-Chairs.
3. Adoption of the agenda and other organizational matters, including the programme of work.
4. General exchange of views.
5. Consideration of specific recommendations.
6. Adoption of the report to the General Assembly at its sixty-seventh session.
7. Other matters.

12. At the same meeting, the working group approved the proposed organization of work, which was set out in an informal paper available in English only.

D. Documentation

13. The list of documents before the working group is available from http://www.unohrlls.org/en/ldc/916/. The working group especially benefited from the information contained in background paper No. 14 (February 2012) prepared by the Committee for Development Policy on strengthening smooth transition from the least developed country category (see website).

III. Proceedings of the informal meetings

A. Overview of informal meetings

14. The first informal meeting was held on 16 February 2012. The meeting took stock of the current situation regarding least developed country-specific international support measures and existing smooth transition measures. The working group benefited from presentations by Charles T. Ntwaagae, Permanent Representative of Botswana to the United Nations, and Edna Filomena Alves Barreto, Minister Plenipotentiary, Permanent Mission of Cape Verde to the United Nations. Thematic presentations were given by Annet Blank, Head of the Least Developed Country Unit, Development Division, World Trade Organization; Rob Vos, Director, Development Policy and Analysis Division, Department of Economic and Social Affairs of the United Nations Secretariat; and Taffere Tesfachew, Director, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development (UNCTAD). An exchange of

views was also held on what possible approaches could be developed to address gaps and concerns with respect to smooth transition measures.

15. The second informal meeting was held on 16 March 2012 and included a briefing by the Committee for Development Policy on strengthening the smooth transition process. Presentations were made by Committee members Mulu Ketsela, Vice-Chair of the Committee and Alternate Executive Director of the African Development Bank, and José Antonio Alonso, Professor of Applied Economics, Complutense University of Madrid. They introduced the main conclusions of the Committee's assessment of the existing smooth transition provisions and made suggestions on how the provisions could be further strengthened and better monitored. Gyan Chandra Acharya, Permanent Representative of Nepal to the United Nations and Chair of the group of the least developed countries, and Americo Beviglia Zampetti, Counsellor, Delegation of European Union, contributed to the meeting as discussants.

16. The third informal meeting was held on 26 March 2012. Discussions were held on the preparation and implementation of transition strategies for graduating and graduated countries. The working group heard a keynote presentation by Patrick Guillaumont, Fondation pour les études et recherches sur le développement international, Université d'Auvergne, and former member of the Committee for Development Policy. Additional presentations were given by Ertuğrul Apakan, Permanent Representative of Turkey to the United Nations, and Jeffrey Salim Waheed, First Secretary, Permanent Mission of Maldives to the United Nations. An exchange of views on possible approaches to further support countries in this process was also held.

17. The fourth informal meeting was held on 8 May 2012. The meeting discussed the support needed from the United Nations system to improve the smooth transition process. Ali'ioaiga Feturi Elisaia, Permanent Representative of Samoa to the United Nations, described the experience of Samoa as a graduating country. His presentation was followed by others on the role of the United Nations system in facilitating the process, including Siphosami Malunga, Senior Adviser, Regional Bureau for Africa, United Nations Development Programme; Pierre Encontre, Chief, Special Programmes, Division for Africa, Least Developed Countries and Special Programmes, UNCTAD; Ivar Andersen, Manager of the Operations Unit, International Development Association Resource Mobilization Department, World Bank; and John S. Wilson, Lead Economist, Development Research Group, World Bank. The meeting allowed for an exchange of views on the recommendations presented by the Co-Chairs.

B. Summary of deliberations

1. Least developed country-specific support measures and implications of graduation

18. As a starting point in its study of smooth transition measures, the working group undertook an assessment of the variety of special support measures for least developed countries provided by development partners, including bilateral donors and multilateral organizations, in particular official development assistance (ODA), trade-related measures and technical support. There was agreement on the need for a thorough understanding of existing support measures and the implications of their

withdrawal upon graduation in order for the working group to make recommendations for extension of such measures during the transition period.

19. With respect to ODA, it was highlighted that only 10 out of 23 Development Assistance Committee donors had met the target of 0.15 per cent of gross national income as ODA to least developed countries, leaving an absolute delivery gap against commitments of between $20 billion and $40 billion in 2010. It was also recalled that the World Bank, the International Monetary Fund and regional development banks did not target least developed countries specifically, while some United Nations agencies did. In general, least developed countries received more preference from multilateral than bilateral donors. In most cases, least developed country status was not relevant for ODA allocation per se, but least developed country characteristics (low income, low human assets) were taken into account, as shown by the fact that ODA allocation favoured poorer least developed countries and those with a low human asset index, whereas allocation was not responsive to the economic vulnerability index.

20. Attention was drawn to the least developed country information portal of the Department of Economic and Social Affairs,[1] which provided a consolidated platform containing all relevant information related to the international support measures specifically made available for the least developed country category.

21. With respect to the implications of graduation, the problems linked to the binary nature of least developed country status were underscored and contrasted with the continuous character of the process of development. The risk of perverse incentives was mentioned since the binary nature of least developed country status could penalize the progress made by graduating countries, leading to abrupt changes and therefore causing concern. There was uncertainty about the specific impact of graduation on ODA flows. However, since ODA allocation was not closely related to least developed country status, little specific impact was expected.

22. It was explained that graduated countries would still have access to non-least developed country-specific sources of finance. For instance, the working group considered access to the International Development Association, which allocates funds to recipient countries based on performance through a formula that also gives weight to relative poverty. The International Development Association also supports 13 small island economies, which have per capita incomes above the operational cut-off of $1,175 for International Development Association resources. Countries exceeding the threshold for two years are considered for graduation from the International Development Association, but vulnerability and access to other sources of financing are carefully assessed in order to avoid cases of graduated countries sliding back.

23. In the interactive debate on least developed country-specific support and smooth transition measures, some Member States highlighted that the graduation of least developed countries remained the overarching goal, as stressed in the Programme of Action. However, they also emphasized the need for strengthened support for national transition strategies and the importance of reducing uncertainty about future treatment. Thus, case-by-case and in-depth assessments of the impact of graduation, including on structural challenges, vulnerabilities, trade and technology, were considered of high importance to the preparation of national

[1] Available from http://webapps01.un.org/ldcportal/web/guest/home.

transition strategies, along with the need to strengthen the statistical capacity of least developed country governments as a precondition for meaningful assessments.

24. Member States also mentioned that the participation of least developed countries and graduated countries in international forums was essential in order for their voices to be heard. Support for travel and participation therefore needed to be extended. The continuous need for capacity-building in graduating small island developing States, given their limited economic base and high vulnerability to climate change, was also underscored.

25. It was clarified that the implementation of least developed country-specific support measures, as agreed in the Programme of Action, was a precondition for improving the smooth transition process. The provision of accurate and timely information, including by bilateral and multilateral donors on a regular basis, about the specific support measures they offer to least developed countries would help reduce the perceived uncertainty around graduation.

2. Smooth transition measures

26. The working group reviewed the existing international support measures for the smooth transition process. In its resolution 59/209, the General Assembly urged all development partners to support implementation of the transition strategy and to avoid abrupt reductions in the assistance provided to a graduating country. Development and trading partners were invited to extend to the graduated country trade preferences previously made available or to phase them out in a gradual manner. World Trade Organization (WTO) members were invited to consider extending to a graduating country the existing special and differential treatment and exemptions that were available to least developed countries for a period appropriate to the development situation of the country. The working group benefited from several presentations made by experts who addressed graduation and its implications and ways to create incentives through smooth transition measures.

27. Existing smooth transition measures, which are available to all graduated countries, were grouped into three main categories: (a) bilateral initiatives, such as the extension of duty-free, quota-free market access by the European Union under its Everything but Arms initiative; (b) continued access to least developed country-dedicated funds, such as the extension of access to the Enhanced Integrated Framework, the Least Developed Countries Fund of the Global Environment Facility; and (c) the extension of United Nations travel-related support to graduated countries, pursuant to General Assembly resolution 65/286. However, it was noted that in several areas, including United Nations budget caps, there were currently no phasing out provisions for graduated countries.

28. Several ways to build and expand upon existing smooth transition measures were mentioned. For example, non-reciprocal preferential market access could be extended unilaterally. In order to avoid any violation of WTO rules, a blanket, time-bound waiver covering all special and differential treatment measures was suggested. The importance of maintaining the level of support as much as possible, including technical assistance and capacity-building, provided to graduating countries by development and trading partners was also highlighted. This included trade facilitation and access to Aid for Trade initiative resources. It was also proposed that graduated countries be given additional time to comply with WTO rules in the areas of, for example, trade-related aspects of intellectual property rights and trade-related

investment measures, from which they were exempted under special and differential treatment measures. This could also include the extension of the exemption from the prohibition on export subsidies for least developed countries under the agreement on subsidies and countervailing measures. Furthermore, special and differential treatment extensions for graduating countries could be included in the accession. Graduating least developed countries were advised to consider their national development strategies not only as a national policy reform tool but also as the analytical framework in which their Aid for Trade support needs were being mainstreamed.

29. As for the phasing out of support measures over a long enough period of time, it was recommended that clear procedures be established for both bilateral and regional trade preferences and that Aid for Trade assistance be provided to prepare affected sectors in the graduating country. For multilateral ODA and United Nations support, clear transition procedures and transparent rules needed to be established, including budget allocations for least developed countries by multilateral organizations, least developed country-specific technical assistance funds and caps to least developed country contributions to United Nations budget. The least developed country-specific travel fund for facilitating attendance at General Assembly sessions is an example that had been agreed. Adopting the recommendations would send the clear message to graduating countries that they would not be "left alone" by the international community after graduation.

30. However, least developed country support measures could only be temporarily extended after graduation, according to some experts. Postponement of the termination of all support measures would in effect postpone graduation itself. In contrast, support measures for least developed countries taken on a case-by-case basis could be more easily adapted to make the transition smoother. In the case of aid, it was proposed that the transition be made less abrupt by using continuous criteria rather than the binary least developed country status. The benefits of taking into account the three least developed country identification criteria (gross national income per capita, human assets index and economic vulnerability index) as aid allocation criteria included that the least developed country group would benefit as a whole since greater volumes of aid would be allocated to them; that the transition would be smoother for graduating countries, especially the most vulnerable; and that principles of equity, effectiveness and transparency would be met.

31. Proposals were also made on how to reduce vulnerability for least developed countries in general. While such measures would not be specifically for graduating and graduated countries, they could help to increase resilience and thus make the graduation and smooth transition measures smoother. The possibility of compensatory financing of exogenous shocks, either external or natural, was put forward. Vulnerability to climate change could be addressed through an appropriate allocation of available resources for adaptation, using an index of physical vulnerability to climate change. It was also suggested that the establishment of a catastrophe risk insurance facility, building on the experience of the Caribbean Catastrophe Risk Insurance Facility, could be envisaged for least developed countries facing high environmental vulnerability so as to reduce the economic impact of natural catastrophes. The pooling of resources among participating Governments would reduce the cost of coverage and provide immediate liquidity after a disaster.

32. Some Member States reiterated that least developed country status and benefits should be phased out taking into account each country's particular development situation and vulnerabilities. At the same time support to graduated countries should be predictable and transparent. Other Member States stressed the important role of regional factors for graduating and graduated countries. Additional proposals included that emerging countries should participate in the consultative mechanisms and incorporate graduated least developed countries in their technical and financial assistance programmes.

33. Some Member States also suggested that the period of three years between the time the General Assembly took note of the Economic and Social Council decision and actual graduation could be extended in order to give graduating countries more time to prepare for the phasing out of least developed country-specific international support measures.

34. In conclusion, the predictability of international support during the transition period and beyond was identified as a crucial factor for improving smooth transition measures. There was also the need to consider the phasing out of least developed country-specific support, for which no measures yet existed or where very few development and trading partners had made commitments covering all graduating countries. Finally, the issue of vulnerability needed to be addressed before graduation occurred since greater resilience took time to develop and would reduce the risk that the least developed country might slide back into the least developed country category.

3. Experience of graduated and graduating countries

35. One of the main purposes of the working group was to learn from the experiences of graduated and graduating countries in order to discuss ways to improve the smooth transition process. It was recalled that a country would graduate from the least developed country category three years after the General Assembly had taken note of the recommendation of the Committee for Development Policy. During the three-year period, the country would remain on the list of least developed countries and continue to benefit fully from the special support measures associated with least developed country status. The smooth transition strategy would be negotiated during the period and implemented only after the actual graduation of the country.

36. The experiences of Botswana, Cape Verde, Maldives and Samoa were shared with the working group. In the case of Botswana, while diamonds had played a major part in Botswana's economic fortunes, maintaining a stable political and macroeconomic environment, with prudent and transparent management of public resources, was one of the country's greatest strengths. Since the time it had graduated from the least developed country category in 1994, it had faced the challenges of economic diversification, poverty and unemployment. Despite the loss of least developed country-specific market access opportunities and ineligibility for grants, soft loans and other concessionary sources of funding, a number of positive developments stemming from graduation had emerged. These included gaining policy space to independently determine and pursue national development priorities, the enhanced ability to access international capital markets and to attract foreign direct investment flows, and the opportunity for creativity and innovation in the management of the country's development path. Least developed countries were

encouraged to view graduation as a landmark in their development, without which they would risk continued marginalization from the world economy.

37. While good progress had been made by Cape Verde, which graduated in 2009, towards achieving several Millennium Development Goals, its economy remained extremely vulnerable to external shocks; limited by its insularity and the aridness of its soil; constrained by lack of natural resources; concentrated mainly on the tourism sector; and excessively dependent on unstable ODA and remittance flows. A transition support group (Grupo de Apoio à Transição), comprising all of Cape Verde's major bilateral and multilateral development partners, including the United Nations system, had been established to guide the country through the graduation process. It was explained that the contribution of international partners had been crucial to Cape Verde's transition from least developed country status and would continue to be extremely important in the coming years. Graduation had put Cape Verde in a better position to seize new opportunities to formulate and implement a transformational agenda that would forge its future sustainability through the creation of innovative mechanisms of resource mobilization and would enable it to finance infrastructure, the development of an information society and the upgrading of its human resources.

38. The focus of the Maldives transition strategy on trade development and maintaining development financing was presented to the working group. The lobbying and advocacy efforts of Maldives had played a crucial role in enabling the country to be granted favourable new trade measures and waivers, such as the extension of the trade-related aspects of intellectual property rights until 2013, granted in the aftermath of the 2004 tsunami, which was later applied to all least developed country WTO members. Maldives benefited from the extension of the Everything but Arms trade agreement with the European Union. The zero tariff agreement with China for 60 per cent of Maldives exports was also recalled. However, other regional trade objectives had remained unmet. Lack of progress was also recorded in the area of development assistance and access to concessionary finance. It was noted that graduation had not brought increased foreign direct investment except for the tourism industry, leaving its structural vulnerabilities as a small island unchanged. The importance of developing a coherent national strategy for smooth transition, which should be monitored in its implementation phase on an annual basis instead of only triennially, was underscored. Reference was made to the extreme vulnerability of Maldives to external shocks and high infrastructure development costs. The country's key productive capacity was inextricably linked to the natural environment and the durability of its fragile ecosystem.

39. In the case of Samoa, the transition strategy was considered as a way of turning challenges into opportunities through genuine partnerships. Both the global economic crisis and the 2009 tsunami had been contributing causes of the deferral of Samoa's graduation until January 2014. Samoa had started the first phase of the preparation of an effective transition strategy, which would ultimately allow for a comprehensive and focused dialogue with Samoa's development partners, in order to identify the benefits, support and trade preferences that could be retained after graduation, as well as the gaps in the level of assistance required against that pledged. The first half of 2012 would focus on building an inventory of the full range of benefits Samoa received as a least developed country, with the assistance of the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

and UNCTAD. The second half of 2012 would be dedicated to preparation of the actual transition strategy, based on national multi-stakeholder consultations. The strategy would then be discussed and finalized with partners in 2013. A first step towards continued support for Samoa was its designation as a "Delivering as one" country by UNDP.

40. Experts highlighted that graduating countries needed to design well-defined national development strategies to overcome structural bottlenecks and align international support. Such international support could include focused assistance to improve the tax system, leading to enhanced mobilization of resources domestically, which would compensate for future reductions in ODA and focused support for exporters (for example, through increased Aid for Trade) so that the country could become more competitive and thereby counterbalance any future losses of trade preferences. Likewise, capacity-building to increase resilience to external shocks should be prioritized.

41. It was also stressed that monitoring of the smooth transition process should be strengthened and that graduating countries could be requested to provide concise reports annually on progress in the development of the transition strategy and triennially on its implementation.

42. During the interactive debate, Member States agreed that transition strategies needed to reflect the reality of each country's situation so as to ensure that graduation remained a lasting achievement. The importance of country ownership and case-by-case approaches were also stressed.

43. Some Member States considered the current smooth transition process inadequate and called for official recognition of the small island developing States category at the United Nations in order to address their vulnerabilities, as most countries in the graduation process were small island developing States. This would ensure continued access to targeted support, especially in respect of their vulnerabilities to climate change and environmental disasters. Support measures were needed to facilitate investments in infrastructure projects in order to create viable economies in small island developing States. Some Member States also raised the need for special measures to address the vulnerabilities of landlocked least developed countries.

44. While it was recognized that all graduated countries had continued to face high vulnerabilities to different kinds of shocks, they were also seen to experience continued economic and social progress after graduation. It was stressed that non-traditional donors should be more involved in the consultative process at the national level.

4. Support by the United Nations system for the preparation, implementation and monitoring of the smooth transition process

45. The working group was reminded that the responsibility to negotiate with development partners to ensure that least developed country-specific benefits and privileges would not be abruptly discontinued had been placed solely on the graduating country under the existing smooth transition mechanism. Thus, the role of the United Nations system and of development partners in the preparation and implementation of transition strategies needed to be better understood in order for agreement to be reached on improvements.

46. In that context, it was stressed that the United Nations provided the framework for the smooth transition process, including assessments of the post-graduation needs, position papers to help graduating countries negotiate with their partners and monitor progress in the transition phase. The United Nations resident coordinator was tasked to mobilize relevant United Nations entities and foster national ownership of the process. It was recommended that graduating countries should make an inventory of existing international support measures from which they benefited and identify measures that they could afford to lose, those that they would want extended for a transition period and additional measures that they believed would be desirable for a smooth transition but had never been offered before. Such inventory would constitute the basis for determining the country's negotiating strategy. For most small island developing States, for example, the most relevant support measures would be ODA, technical support in attracting investment, projects and funding to mitigate the impact of climate change and the financing of regional public goods. However, for oil-rich graduating countries, while ODA was not a concern, technical assistance to strengthen their institutional capacities was needed.

47. UNDP, as the coordinator of the United Nations system at the country level, was mentioned as one of the main actors involved in the process. For Cape Verde, substantive support was provided for the development and elaboration of a transition strategy, in particular to facilitate informal aid coordination and policy dialogue with all resident partners. Lessons learned from the transition process were identified, including the importance of more effectively monitoring the implementation of the strategy and continuously assessing vulnerabilities to climate change, natural disasters and external shocks. In Maldives, UNDP coordinated the support provided to the Government for the development of a smooth transition strategy. Crucial inputs were provided by the Economic and Social Commission for Asia and the Pacific and UNCTAD, including a review of the economic and social challenges facing the country and the emerging global economic crisis. Support was also provided to establish a national coordination mechanism and to outline a plan of action for key areas such as trade and investment, and environmental vulnerability. UNDP also assisted the Government in organizing a donor conference, which provided a useful platform to strengthen dialogue with donors and partners. The peculiar vulnerabilities of small island developing States, the need for early engagement in the smooth transition process, the importance of political stability and good governance, as well as continuous support, were highlighted.

48. There was general agreement that the technical assistance provided to graduating countries by the United Nations system could be enhanced. UNDP and/or the United Nations resident coordinators could kick-start the process and act as facilitators of the consultative mechanism, while also developing a graduation capacity-building programme.

49. Some Member States reiterated that in order to meet the aspirational goal of the Programme of Action, strong and effective delivery of the commitments contained therein was needed. Member States were of the view that the graduation process needed to be based on close consultation of least developed country Governments with United Nations counterparts and other development partners, looking at the reality on the ground.

50. The United Nations was called upon to refine and better coordinate its support to graduating countries. The Department of Economic and Social Affairs and

UNCTAD were requested to provide, through their reports, a better understanding of support measures and to assess the effects of the measures in a holistic and comprehensive manner. It was suggested that the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States should play a more active role in coordinating United Nations support and advocating for more comprehensive support for graduating and graduated countries. Member States also stressed the importance of aligning country strategies with the Programme of Action and expressed the view that enhanced support was needed to increase the resilience of small island developing States that had graduated or were graduating vis-à-vis external shocks, in particular drought, desertification and sea-level rise.

51. Member States also underscored the importance of monitoring implementation not only of the Programme of Action but also of national transition strategies.

5. The way forward

52. During its 4th informal meeting, on 8 May 2012, the Co-Chairs presented their draft list of recommendations, summarizing the vast array of concrete proposals that had been put forward by experts and Member States during the substantive meetings of the working group. The recommendations served to provide guidance on ways to strengthen the smooth transition process and boost the confidence of countries graduating in the future in respect of the continued development support they would receive from the international community. Several delegations shared their general and more specific comments on the draft list. Member States also expressed their appreciation for the work of the Co-Chairs.

53. While the implementation of several of the recommendations fell into the purview of individual Member States, there was agreement among Member States that the recommendations contained in paragraph 57 of the present report should be viewed as the basis for a resolution to be negotiated during the sixty-seventh session of the General Assembly.

IV. Adoption of the report

54. At the 2nd meeting of the working group, on 6 June 2012, the Co-Chair orally revised the third sentence of paragraph 38 of the draft report contained in document A/AC.279/2012/L.2 to read as follows:

> "Maldives benefited from the extension of the Everything but Arms trade agreement with the European Union".

The working group subsequently adopted the draft report as orally revised.

V. Recommendations

55. The working group stressed the importance of recalling a key provision contained in paragraph 141 of the Programme of Action, namely that:

> Smooth transition of countries graduating from least developed country status is vital to ensure that these countries are eased onto a sustainable development path without any disruption to their development plans, programmes and

projects. The measures and benefits associated with the least developed country membership status need to be phased out consistent with their smooth transition strategy, taking into account each country's particular development situation.

56. On the basis of the draft recommendations circulated by the Co-Chairs, the ad hoc working group developed the list of recommendations set out below. The list includes issues and proposals that were put forward by a large number of Member States and partners during the meetings of the working group. These are not necessarily consensus positions but summarize the key issues and proposals presented by Member States to facilitate possible further consideration at the United Nations. The proposals can be structured according to two broad categories: strengthening the smooth transition process; and strengthening smooth transition measures.

57. The list of recommendations contains the following:

A. Strengthening the smooth transition process

1. Information about and understanding of existing support measures are crucial

(a) There is a need to further enhance information-sharing and understanding of available least developed country-specific international support measures and related transition measures (from all partners), their characteristics and modalities;

(b) Increased transparency and timely information can improve the capacity of least developed countries to prepare smooth transition strategies, and in general reduce uncertainty and ensure predictability. There is a need for one consolidated source of information-sharing (the Department of Economic and Social Affairs portal);

(c) There is a need for wider circulation of Department of Economic and Social Affairs ex-ante impact assessments, UNCTAD vulnerability profiles and all relevant documentation;

(d) Regular exchanges of information between least developed countries and graduated countries on experiences and lessons learned should be encouraged.

2. Strong national transition strategies are the basis for successful transition

(a) The importance of strong national ownership, governance and leadership in designing and implementing a country-specific national transition strategy should be stressed;

(b) The specificity of such transition strategies should be recognized and should be designed on a case-by-case and in-depth assessment of the possible impact of graduation, taking into consideration the structural challenges of the countries concerned. In this context, the particular vulnerabilities of the graduating country should be given special attention;

(c) Technical assistance by the United Nations system should be enhanced. The United Nations resident coordinator should kick-start the process and act as a facilitator of the consultative mechanism, while also developing formal graduation capacity-building initiatives or efforts;

(d) All development and trading partners in the consultative mechanism should be actively involved in the design of the national strategies as frameworks

within which partners can work and based upon which they can identify the best combination of supporting actions needed;

(e) National strategies should enhance predictability in the graduation process. Benefits should be phased out, taking into account each country's particular development situation and vulnerabilities, as outlined in the Programme of Action;

(f) Monitoring of the smooth transition process should be strengthened, and graduating countries should be requested to provide concise reports on a regular basis on progress made, in particular by using existing Economic and Social Council mechanisms, while not adding to the reporting burden. Monitoring should cover the preparation and implementation of national transition strategies.

3. An early start of discussions on transition measures is strongly recommended

Initiating discussions with development partners on the extension and phasing out of measures and benefits at an early stage is strongly recommended. Discussions should begin during the early pre-graduation phase in order to allow the results of the discussions to be integrated into the national transition strategy.

4. Coherence is crucial

(a) There is a need for the graduating country to maintain political awareness and leadership of graduation and for the United Nations system and the development community to ensure coherence when dealing with graduation and transition processes, with the support of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States;

(b) The national transition strategy should be integrated into existing longer-term comprehensive national development plans;

(c) An effective consultative mechanism should be established for designing the transition strategy and for integrating it with other regular consultative processes between the graduating country and its development and trading partners;

(d) Discussions need to be held with development and trading partners on bilateral and multilateral strategies and aid programmes in order to ensure that they fully support the national transition strategy.

5. Support from the United Nations system should be increased

(a) Under the leadership of the Secretary-General, strong coordination throughout the United Nations development system is required, using the mechanism of the United Nations System Chief Executives Board for Coordination;

(b) Upon the request of the country concerned, the role of the United Nations resident coordinator as focal point for United Nations support to the graduating country should be enhanced, with support from the United Nations Development Group;

(c) United Nations country teams should play a stronger role in assisting graduating countries;

(d) More effective engagement of the Economic and Social Council in the monitoring process is desirable;

(e) The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States has a leading role to play in attuning the United Nations system and other partners to the issue of smooth transition;

(f) United Nations entities not represented in the field should also be more proactive in assisting graduated countries to prepare their transition strategies.

6. Some aspects of the role of the General Assembly in the transition process should be clarified

(a) Agreement should be reached on establishing an appropriate time frame and expeditious process by the General Assembly for action on Economic and Social Council decisions related to the graduation of individual least developed countries;

(b) Explicit references to elements of the smooth transition process, including the consultative mechanism, should be included in General Assembly and Economic and Social Council resolutions on the graduation of a specific country, with a view to increasing awareness about the process among all Member States, in particular the country concerned.

B. Strengthening smooth transition measures

1. Characteristics of the support measures during the transition period

(a) **Predictability**. Measures should be clear with regard to their scope, time frame and modalities;

(b) **Confidence-building**. Confidence in their own capacities and in the support of development and trade partners is the strongest incentive in the transition process for graduating countries;

(c) **Specificity**. A differentiated approach is needed, which takes into account each country's development situation, vulnerabilities, strengths and weaknesses, as outlined in the Programme of Action;

(d) **Certainty**. Certainty about what will happen to support measures after graduation would be another incentive;

(e) **Transformation**. Development and trading partners and graduating countries alike should, as appropriate, adapt their transition support and strategies to the development situation of graduating countries after graduation.

2. Continued need for official development assistance

(a) Development partners should consider the extension and gradual phasing out of least developed country-specific support measures to graduated countries for a fixed period of time in a predictable manner, without prejudice to ODA resources available to least developed countries;

(b) United Nations entities committed to allocating a certain percentage of their resources to least developed countries should consider the extension and gradual phasing out of least developed country-specific support to graduated

countries for a fixed period of time in a predictable manner, without prejudice to resources available to least developed countries;

(c) While considering extension of access to United Nations and other donors' least developed country-specific funds, allocations or measures beyond graduation, development partners should not only ensure that programmes approved under the least developed country status category are carried over but also be clear about the time frame and modalities of the gradual phasing out of access to the support measures, taking into account the specific situation, challenges, vulnerabilities and prospects of the graduated countries concerned;

(d) Graduation by least developed countries that are recipients of large amounts of ODA would have an impact on bilateral donors meeting their commitments regarding ODA allocation for least developed countries.[2] The issue of conflicting objectives between ODA targets and supporting graduated least developed countries needs to be addressed before least developed countries receiving substantial amounts of ODA (in absolute terms) become eligible for graduation;

(e) As in the case of the allocation of bilateral aid resources to least developed countries and gradated countries, the conflicting objectives to support graduated countries versus meeting budget allocation targets set by multilateral donors need to be addressed urgently.

3. Adapting trade-related measures to the new development situation

(a) Trading partners who have not established procedures for extending and/or phasing out preferential market access should be encouraged to express, as a general rule or at the consultative mechanism, their commitment to extend their least developed country-specific preferences, the number of years of the extension and/or the details concerning the gradual phasing out of the measures;

(b) The transition strategy should include the commitments made by the main trading partners;

(c) Preferential tariffs should be extended over a period long enough to allow affected sectors to prepare themselves;

(d) While negotiating their WTO accession, graduating countries and their trading partners should use the negotiations to agree on specific extensions of special and differential treatment through transitional arrangements;

(e) The possibility to obtain non-reciprocal preferential market access through a blanket, time-bound waiver, covering all special and differential treatment measures, including but not limited to market access measures, extended for a transitional period to graduated countries, should be explored;

(f) Members of WTO are encouraged to adopt formal procedures and extended time frames for phasing out least developed country-specific special and differential treatment measures.

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[2] When a large ODA recipient leaves the category, a donor may no longer be able to easily reach its aid target of 0.15-0.20 per cent of gross national income due to the fact that aid to the large recipient would no longer be classified as ODA to least developed countries.

4. Technical assistance remains a valued companion

(a) Aid for Trade should remain a valued companion for strengthening the capacities (for example, institutional and structural) of least developed countries and for enabling graduating countries to cope better with the gradual phasing out of least developed country-specific measures. Aid for Trade should be better targeted, result-oriented and coordinated;

(b) Least developed country-specific funds other than the Enhanced Integrated Framework should continue to cover the implementation of approved programmes and to provide technical assistance to graduated countries over a period appropriate to the development situation of the country;

(c) Technical assistance commitments should clearly be made part of the commitments to be undertaken by development and trading partners in the transition strategy and should be implemented through the Enhanced Integrated Framework, Aid for Trade or other instruments.

5. Travel benefits extended by other organs/institutions

The General Assembly resolution extending smooth transition provisions for United Nations travel benefits should be used as a precedent that may facilitate the extension of such benefits by other organs/institutions for a given number of years to graduating countries.

6. Support modalities beyond transition

(a) Development partners should be encouraged to incorporate least developed country indicators (gross national income per capita, human assets index and economic vulnerability index) as a part of their aid allocation criteria. This would allow a more gradual phasing out of support, and as a result would address the concerns of countries exiting the category but still facing challenges in overcoming remaining structural handicaps (particularly those included by economic vulnerability index);

(b) Including the same indicators as allocation criteria could also be relevant for financing flows (not necessarily reported as ODA) by development finance institutions, which promote private sector activities in developing countries through loans, guarantees and investments.